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August 6, 2019

Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2020 <under Japanese GAAP>

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Listing: Tokyo Stock Exchange
Securities code: 8919
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Scheduled date to file quarterly securities report: August 9, 2019
Scheduled date to commence dividend payments: –
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results presentation meeting: None

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated financial results for the first three months of the fiscal year ending March 31, 2020 (from April 1, 2019 to June 30, 2019)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2019	23,314	15.4	2,621	16.0	2,565	15.9	1,721	11.5
June 30, 2018	20,206	22.6	2,259	36.5	2,214	38.5	1,544	44.3

Note: Comprehensive income Three months ended June 30, 2019: ¥1,721 million [11.5%]
Three months ended June 30, 2018: ¥1,544 million [44.3%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2019	45.21	44.21
June 30, 2018	41.30	39.63

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2019	46,572	20,141	43.1
March 31, 2019	47,406	19,348	40.7

Reference: Equity As of June 30, 2019: ¥20,057 million
As of March 31, 2019: ¥19,273 million

2. Dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2019	–	26.00	–	26.00	52.00
Fiscal year ending March 31, 2020	–				
Fiscal year ending March 31, 2020 (Forecast)		27.00	–	27.00	54.00

Note: Revisions to the forecasts of dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2019	43,842	10.5	5,045	12.0	4,915	11.6	3,312	10.2	87.62
Fiscal year ending March 31, 2020	89,872	10.5	10,356	13.7	10,094	15.5	6,805	14.8	178.79

Note: Revisions to the earnings forecasts most recently announced: None

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Application of special accounting for preparing quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement
   a. Changes in accounting policies in accordance with changes in accounting standards, etc.: None
   b. Changes in accounting policies due to other reasons: None
   c. Changes in accounting estimates: None
   d. Restatement: None

(4) Number of issued shares (common shares)
   a. Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2019	39,325,320 shares
As of March 31, 2019	39,325,320 shares

   b. Number of treasury shares at the end of the period

As of June 30, 2019	1,201,171 shares
As of March 31, 2019	1,261,981 shares

   c. Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2019	38,088,701 shares
Three months ended June 30, 2018	37,391,730 shares

*** Quarterly financial results reports are exempt from quarterly reviews conducted by certified public accountants or an audit corporation.**

*** Proper use of earnings forecasts, and other special matters**

Caution regarding forward-looking statements and others

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, the statements herein do not constitute assurances regarding the Company's actual results. Actual financial and other results may differ substantially from the statements herein due to various factors. Please refer to "1. Qualitative information regarding financial results for the first three months, (3) Explanation regarding consolidated earnings forecasts and other forward-looking statements" on page 3 of the attached materials for the suppositions that form the assumptions for the earnings forecasts and cautions regarding the use of the earnings forecasts.

Means of access to supplementary material on quarterly financial results

The supplementary material on quarterly financial results is to be posted on the Company's website.

Attached Materials

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1. Qualitative information regarding financial results for the first three months

(1) Explanation regarding operating results

In the first three months under review, the Japanese economy showed a gradual track of recovery in private consumption thanks to improvements in the employment and income environment, but the outlook is uncertain due to weakness in corporate earnings amid a low level of industrial production and the looming consumption tax hike.

The Group aimed to provide a "Fourth Option" as an alternative to newly built, "as-is" preowned, and rental houses, mainly targeting the middle- and lower- income market in regional cities and rural areas. We refurbished pre-owned single-family houses that competitors find challenging to bring to market, adding value to the properties and then selling them.

Under these conditions, in terms of sales, the Group achieved growth in net sales by continuing efforts initiated in the previous fiscal year to improve productivity through such measures as promoting contracts for properties being refurbished while also working to shorten the inventory turnover period by promoting the sales of long-term inventory properties.

In terms of profit, we continuously implemented policies to reduce risks by conducting three-party inspections prior to acquisitions and initiatives at the time of sale to limit discounts. However, the gross profit margin decreased because of the aforementioned promotion of long-term inventory sales. On the other hand, a robust operating profit margin was achieved as a result of continuously subjecting selling, general and administrative expenses to cost management.

As a result, in the first three months under review, the number of properties sold was 1,488, up 12.0% year on year, net sales were ¥23,314 million, up 15.4% year on year, operating profit was ¥2,621 million, up 16.0% year on year, ordinary profit was ¥2,565 million, up 15.9% year on year and profit attributable to owners of parent was ¥1,721 million, up 11.5% year on year.

The Group's sole reportable segment is the "used housing refurbishing and remodeling business." Other businesses have been omitted due to a lack of materiality.

(2) Explanation regarding financial position

(i) Current assets

Current assets as of June 30, 2019 amounted to ¥44,391 million, a decrease of ¥666 million compared to ¥45,058 million at the end of the previous fiscal year. This is mainly due to an increase of ¥522 million in cash and deposits and a decrease of ¥1,049 million in real estate for sale and real estate for sale in process.

(ii) Non-current assets

Non-current assets as of June 30, 2019 amounted to ¥2,181 million, a decrease of ¥167 million compared to ¥2,348 million at the end of the previous fiscal year. This is mainly due to increases of ¥3 million in property, plant and equipment and decreases of ¥51 million in intangible assets and ¥119 million in investments and other assets.

(iii) Current liabilities

Current liabilities as of June 30, 2019 amounted to ¥6,326 million, a decrease of ¥1,637 million compared to ¥7,964 million at the end of the previous fiscal year. This is mainly due to decreases of ¥235 million in accounts payable - trade, ¥1,267 million in income taxes payable and ¥220 million in provision for bonuses.

(iv) Non-current liabilities

Non-current liabilities as of June 30, 2019 amounted to ¥20,103 million, an increase of ¥10 million compared to ¥20,093 million at the end of the previous fiscal year. This is mainly due to an increase of ¥7 million in provision for retirement benefits for directors (and other officers).

(v) Net assets

Net assets as of June 30, 2019 amounted to ¥20,141 million, an increase of ¥792 million compared to ¥19,348 million at the end of the previous fiscal year. This is mainly due to the recording of ¥1,721 million in profit attributable to owners of parent, and payment of dividends of surplus of ¥989 million. As a result, the equity-to-asset ratio was 43.1%.

(3) Explanation regarding consolidated earnings forecasts and other forward-looking statements

In regard to the consolidated earnings forecast, there has been no change to the earnings forecast for the first six months ending September 30, 2019 and for the full year for the fiscal year ending March 31, 2020 announced on May 10, 2019 in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2019.”

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Assets		
Current assets		
Cash and deposits	7,395	7,917
Real estate for sale	25,652	24,089
Real estate for sale in process	11,164	11,679
Other	846	707
Allowance for doubtful accounts	(1)	(1)
Total current assets	45,058	44,391
Non-current assets		
Property, plant and equipment	729	732
Intangible assets		
Goodwill	793	743
Other	29	27
Total intangible assets	822	771
Investments and other assets		
Other	810	690
Allowance for doubtful accounts	(14)	(13)
Total investments and other assets	796	677
Total non-current assets	2,348	2,181
Total assets	47,406	46,572
Liabilities		
Current liabilities		
Accounts payable - trade	3,105	2,869
Current portion of long-term borrowings	750	750
Income taxes payable	1,995	727
Provision for bonuses	262	42
Construction warranty reserve	255	261
Provision for loss on litigation	1	2
Other	1,593	1,673
Total current liabilities	7,964	6,326
Non-current liabilities		
Long-term borrowings	20,000	20,000
Provision for retirement benefits for directors (and other officers)	62	69
Other	31	34
Total non-current liabilities	20,093	20,103
Total liabilities	28,057	26,430
Net assets		
Shareholders' equity		
Share capital	3,778	3,778
Capital surplus	3,640	3,640
Retained earnings	13,088	13,811
Treasury shares	(1,233)	(1,174)
Total shareholders' equity	19,273	20,057
Share acquisition rights	74	84
Total net assets	19,348	20,141
Total liabilities and net assets	47,406	46,572

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income

Quarterly consolidated statement of income (cumulative)

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Net sales	20,206	23,314
Cost of sales	15,611	18,207
Gross profit	4,595	5,107
Selling, general and administrative expenses	2,336	2,485
Operating profit	2,259	2,621
Non-operating income		
Commission income	3	2
Insurance claim income	6	-
Returns received	3	-
Other	2	4
Total non-operating income	15	7
Non-operating expenses		
Interest expenses	48	46
Other	12	16
Total non-operating expenses	60	62
Ordinary profit	2,214	2,565
Extraordinary income		
Gain on sales of non-current assets	-	0
Total extraordinary income	-	0
Extraordinary losses		
Loss on retirement of non-current assets	-	0
Total extraordinary losses	-	0
Profit before income taxes	2,214	2,565
Income taxes - current	710	692
Income taxes - deferred	(40)	151
Total income taxes	669	843
Profit	1,544	1,721
Profit attributable to owners of parent	1,544	1,721

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Profit	1,544	1,721
Comprehensive income	1,544	1,721
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,544	1,721

(3) Notes to quarterly consolidated financial statements

(Notes on premise of going concern)

No items to report.

(Notes on significant changes in the amount of shareholders' equity)

No items to report.

(Segment information, etc.)

Segment information

I. Three months ended June 30, 2018

The Group's sole reportable segment is the "used housing refurbishing and remodeling business." Other businesses have been omitted due to a lack of materiality.

II. Three months ended June 30, 2019

The Group's sole reportable segment is the "used housing refurbishing and remodeling business." Other businesses have been omitted due to a lack of materiality.